

**HERITAGE BANK**

	CPP Disbursement Date 12/12/2008	Cert 30090	Number of Insured Depository Institutions 1		
Selected balance and off-balance sheet items	2010 \$ millions	2011 \$ millions	%chg from prev		
Assets	\$1,061	\$1,022	-3.6%		
Loans	\$606	\$563	-7.0%		
Construction & development	\$83	\$64	-23.4%		
Closed-end 1-4 family residential	\$188	\$177	-6.3%		
Home equity	\$38	\$37	-0.9%		
Credit card	\$0	\$0			
Other consumer	\$18	\$9	-49.2%		
Commercial & Industrial	\$54	\$54	-1.0%		
Commercial real estate	\$195	\$183	-6.3%		
Unused commitments	\$83	\$119	44.3%		
Securitization outstanding principal	\$0	\$0			
Mortgage-backed securities (GSE and private issue)	\$111	\$129	16.6%		
Asset-backed securities	\$0	\$0			
Other securities	\$0	\$0			
Cash & balances due	\$40	\$31	-22.6%		
Residential mortgage originations					
Closed-end mortgage originated for sale (quarter)	\$0	\$0			
Open-end HELOC originated for sale (quarter)	\$0	\$0			
Closed-end mortgage originations sold (quarter)	\$0	\$0			
Open-end HELOC originations sold (quarter)	\$0	\$0			
Liabilities	\$959	\$910	-5.1%		
Deposits	\$827	\$800	-3.3%		
Total other borrowings	\$127	\$106	-16.2%		
FHLB advances	\$0	\$0			
Equity					
Equity capital at quarter end	\$102	\$112	10.1%		
Stock sales and transactions with parent holding company (cumulative through calendar year)	\$0	\$0	NA		
Performance Ratios					
Tier 1 leverage ratio	9.4%	10.2%	--		
Tier 1 risk based capital ratio	15.4%	16.5%	--		
Total risk based capital ratio	16.2%	17.6%	--		
Return on equity <sup>1</sup>	3.9%	9.6%	--		
Return on assets <sup>1</sup>	0.4%	1.0%	--		
Net interest margin <sup>1</sup>	3.0%	3.1%	--		
Coverage ratio {(ALL+Alloc transfer risk)/Noncurrent loans}}	110.2%	117.2%	--		
Loss provision to net charge-offs (qtr)	85.0%	51.4%	--		
Net charge-offs to average loans and leases <sup>1</sup>	2.4%	0.5%	--		
<sup>1</sup> Quarterly, annualized.					
	Noncurrent Loans		Gross Charge-Offs		
Asset Quality (% of Total Loan Type)	2010	2011	2010	2011	
Construction & development	2.3%	2.1%	0.9%	-0.5%	--
Closed-end 1-4 family residential	0.8%	1.3%	0.2%	0.2%	--
Home equity	0.3%	0.4%	0.2%	0.2%	--
Credit card	0.0%	0.0%	0.0%	0.0%	--
Other consumer	0.1%	0.0%	0.3%	0.6%	--
Commercial & Industrial	0.2%	0.3%	0.1%	0.3%	--
Commercial real estate	0.5%	1.2%	1.5%	0.3%	--
Total loans	0.8%	1.1%	0.6%	0.1%	--